

Message Text

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ACTION NEA-09

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FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 2907

INFO AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY BONN

AMEMBASSY CAIRO

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

USOECN PARIS 4313

USEC BRUSSELS 813

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E.O. 11652: N/A

TAGS: BTIO

SUBJECT: ARAB BOYCOTT OF ISRAEL: THE ISSUE OF BANKS WITH JEWISH
INTERESTS, IN PARTICULAR, AND OF BANKING ACTIVITY IN
GENERAL

SUMMARY: AS A RESULT OF RECENT COMMENTS BY THE ARAB BOYCOTT
OFFICE AND OF THE PUBLICITY GIVEN TO BANKS WITH JEWISH INTERESTS
COLLABORATING IN CONSORTIA WITH ARAB BANKING INTERESTS, IT
APPEARS QUITE LIKELY THAT THE MEETING IN CAIRO ON FEBRUARY 23 OF
THE ARAB BOYCOTT OFFICE WILL DIRECT A CLOSER LOOK NOT ONLY TO THE
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QUESTION OF BANKS WITH JEWISH INTERESTS BUT TO BANKING ACTIVITY

IN GENERAL.

1. CONSIDERABLE PUBLICITY HAS BEEN GIVEN RECENTLY TO THE QUESTION OF PARTICIPATION OF BANKS WITH JEWISH INTERESTS IN CONSORTIA THAT INCLUDE ARAB BANK INTERESTS FOR THE PURPOSE OF UNDERWRITING BOND ISSUES, RAISING INVESTMENT CAPITAL, ETC. THE APPARENT OCCASION FOR THIS HAS BEEN TWO BOND ISSUES (\$50 MILLION FOR THE MEXICAN GOVERNMENT, \$25 MILLION FOR VOLVO OF SWEDEN) CALLING FOR PARTICIPATION, INTER ALIA, OF THE KUWAIT INTERNATIONAL INVESTMENT COMPANY, MERRILL LYNCH, LAZARD FRERES OF PARIS AND BEIRUT'S INTER INVESTMENT CO. (IN WHICH INCIDENTALLY THE U.S. COMMODITY CREDIT CORP. HAS STILL ABOUT A 3 PERCENT INTEREST, PENDING THE DISPOSAL OF THE BALANCE OF ITS SHARES, WHICH IS IN THE PROCESS OF TAKING PLACE).

2. STATEMENTS ON THE ISSUE WERE MADE BY INTER INVESTMENT CHAIRMAN LUCIEN DAHDA DURING A RADIO AND TELEVISION INTERVIEW FROM PARIS AND BY MOHAMED MAGOUB, HEAD OF THE ARAB BOYCOTT OFFICE. THE THRUST OF THE COMMENTS OF EACH WAS BASICALLY THE SAME. REPLYING TO A STATEMENT THAT THE KUWAIT FUND HAD WITHDRAWN FROM THE CONSORTIUM DAHDA STRESSED THAT LAZARD FRERES OF NEW YORK AND NOT LAZARD FRERES OF PARIS WAS ON THE BOYCOTT LIST. WHILE IT WAS NATURAL FOR ARAB BANKS TO ABSTAIN FROM DEALING WITH BANKS ON THE BOYCOTT LIST, HE CONTINUED, THERE WAS NO FINANCIAL DISCRIMINATION AGAINST JEWISH BANKING INTERESTS AS SUCH. AS PROOF OF THIS, HE DECLARED, THERE WERE TWO JEWISH BANKS OPERATING IN LEBANON QUITE FREELY.

3. MAGOUB MADE THE POINT THAT THE ARAB BOYCOTT NEVER AFFECTED ANY BANK BECAUSE OF THE RELIGION OF THE OWNERS. THE BOYCOTT WAS NOT BASED ON RELIGION, HE ADDED, BUT WAS AIMED AT BANKS SUPPORTING ISRAEL ECONOMICALLY REGARDLESS OF NATIONALITY OR RELIGION.

4. COMMENT: DAHDA'S DIFFERENTIATION BETWEEN VARIOUS BRANCHES OF THE SAME COMPANY PROBABLY WOULD NOT BE ACCEPTED BY THE BOYCOTT OFFICE, AND THE FACT THAT LAZARD FRERES OF PARIS HAS APPARENTLY COMPLAINED TO THE FRENCH GOVERNMENT IS PROBABLY AN INDICATION OF THIS. THE TWO JEWISH-OWNED LEBANESE BANKS HE MENTIONS ARE SMALL OPERATIONS BELONGING TO LEBANESE JEWISH INTERESTS WELL BEFORE THE ISRAEL-ARAB CONFLICT.

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5. REGARDING MAGOUB'S COMMENTS, THESE MUST BE TAKEN TOGETHER WITH OTHER RECENT STATEMENTS WHICH APPEAR TO INDICATE THAT THE BOYCOTT OFFICE AT ITS FORTHCOMING MEETING IN CAIRO ON FEBRUARY 23 (BEIRUT A-32 OF FEBRUARY 12) WILL TAKE A CLOSER LOOK AT WHAT MAKES BANKS WITH JEWISH INTERESTS ELIGIBLE FOR THE BOYCOTT. INDEED, JUDGING FROM RECENT BOYCOTT OFFICE COMMENT (SEE FOR EXAMPLE BEIRUT'S A-23 OF FEB. 12), IT APPEARS LIKELY THAT THIS CLOSER LOOK COULD

ALSO BE DIRECTED AT BANKING ACTIVITY IN GENERAL.
HOUGHTON

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